

**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**DELAWARE COUNCIL ON**  
**GAMBLING PROBLEMS**

**SPECIAL INVESTIGATION**

**FIELDWORK END DATE: OCTOBER 30, 2007**

**R. THOMAS WAGNER, JR., CFE, CGFM, CICA**  
**AUDITOR OF ACCOUNTS**

Townsend Building, Suite 1  
401 Federal Street  
Dover, DE 19901  
TELEPHONE 302-739-4241  
FACSIMILE 302-739-2723  
[www.state.de.us/auditor/index.htm](http://www.state.de.us/auditor/index.htm)



**State of Delaware**  
**Office of Auditor of Accounts**  
**R. Thomas Wagner, Jr. – CFE, CGFM, CICA**  
**At a Glance**

*Working Hard to Protect YOUR Tax Dollars*

**Why We Did This Review**

The Office of Auditor of Accounts (AOA) received the following allegations regarding the Delaware Council on Gambling Problems (DCGP):

- State funds were misappropriated.
- Travel expenses were excessive and not program related.
- Contract funds were used to pay personal expenses.

**Background**

DCGP is a private, nonprofit agency funded primarily through the Delaware Division of Substance Abuse and Mental Health (DSAMH), Department of Health and Social Services (DHSS). DCGP's mission is to raise public awareness that compulsive gambling is a treatable disorder, and to facilitate the development of a network of services for compulsive gamblers and their families in Delaware. DCGP offers confidential assistance to gamblers, their families, and to those who are concerned about a friend or colleague. DCGP provides literature, support meeting information, treatment information, and staffs a 24-hour help-line seven days per week.

**For further information on this release, please contact:**

**Nicholas Adams**  
**(302) 857-3945 Direct**  
**(302) 222-5032 Mobile**

**DELAWARE COUNCIL ON GAMBLING PROBLEMS**

**What We Found**

With the exception of the following, disbursements appeared reasonable and allowable:

- Purchases totaling \$9,814.53 were approved by the purchaser. The purchases appeared reasonable.
- Purchases totaling \$165 lacked authorization. The purchase appeared reasonable.
- Purchases totaling \$2,729.47 lacked sufficient support, such as an itemized receipt or invoice. AOA was unable to determine the reasonableness of these purchases. Some of the purchases were for meals. Due to lack of receipts, AOA could not determine the propriety of food and beverage purchases.
- Two transactions totaling \$23.36 were purchased using the company credit card; however, an employee also included the expense on a personal expense reimbursement request. Upon notification by AOA, the DCGP requested and received reimbursement from the employee.
- One purchase was overpaid by \$100.

It does not appear the State funds were misappropriated.

**What We Recommend**

The DCGP should:

- Segregate duties whereas an individual separate from the purchasing function reviews and approves the purchase.
- Require proper authorization prior to disbursing funds.
- Maintain support for all disbursements. Support for meals and travel should include a list of attendees and itemized receipts.
- Mileage reimbursement requests should include actual mileage logs and include a description of the purpose of the travel.

**Please read the complete report for a full list of findings/recommendations and to review DCGP's response to our findings.**

---

# TABLE OF CONTENTS

---

Audit Authority	1
Allegation and Background	2
Objectives, Scope, and Methodology	3
Conclusions	4
Finding and Recommendation	5
Distribution of Report	8

---

# AUDIT AUTHORITY

---

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

---

# ALLEGATION AND BACKGROUND

---

## **ALLEGATION**

The Office of Auditor of Accounts (AOA) received the following allegations regarding the Delaware Council on Gambling Problems, Inc. (DCGP):

- State funds were misappropriated,
- Travel expenses were excessive and not program related, and
- Contract funds were used to pay personal expenses.

## **BACKGROUND**

DCGP is a private, nonprofit agency funded primarily through the Delaware Division of Substance Abuse and Mental Health (DSAMH), Department of Health and Social Services (DHSS). DCGP's mission is to raise public awareness that compulsive gambling is a treatable disorder, and to facilitate the development of a network of services for compulsive gamblers and their families in Delaware. DCGP offers confidential assistance to gamblers, their families, and to those who are concerned about a friend or colleague. DCGP provides literature, support meeting information, treatment information, and staffs a 24-hour help-line seven days per week.

---

# OBJECTIVES, SCOPE, & METHODOLOGY

---

## **OBJECTIVE**

The objective of the investigation was to determine the propriety of DCGP's fiscal transactions.

## **SCOPE**

The investigation included a review of personal expense reimbursements, credit card purchases, travel, meals and lodging, and miscellaneous expenses for fiscal years 2007 (July 1, 2006 through June 30, 2007) and 2006 (July 1, 2005 through June 30, 2006).

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

## **METHODOLOGY**

Investigative techniques included:

- Interviews and inquiry.
- Inspection and confirmation of documentation.

The investigation consisted of the following procedures:

- Obtained copies of recent independent auditors' reports and corresponding audited financial statements. Reviewed for additional background information and if any findings or deficiencies were noted.
- Determined relevant sections of Code, laws, and regulations.
- Determined funding sources and allowable uses of funds.
- Obtained the detailed accounting records for FY06 and FY07. Determined location of funds (bank accounts, loans, etc.).
- Tested revenue transactions for adequate support, timeliness of deposits, and proper coding.
- Tested receivable transactions for accuracy of invoices and timeliness of follow-up of outstanding amounts.
- Tested expenditure transactions for adequate support, timeliness of payments, proper authorization, and appropriate coding.
- Determined if adequate controls exist and developed recommendations for improving control weaknesses.

# CONCLUSIONS

<b>Allegation</b>	<b>Results of Testing</b>	<b>Conclusion</b>
State funds were misappropriated.	AOA tested miscellaneous expenses, personal expense reports, credit card transactions, and revenue transactions. Based on the testing performed, AOA concludes that State funds were not misappropriated.	Unsubstantiated
Travel expenses are excessive and not program related.	<p>DCGP participates in a number of conferences throughout each year. Some of these conferences include the National Association of Legislators from Gaming States, National Center for Responsible Gaming, and the State Associations of Addiction Services. Each conference requires a portion of travel. AOA tested personal expense reports and credit card transactions related to travel expenses. Each conference travel expense item had a corresponding conference registration expense. Any personal charges from the travel related expenses were always deducted from a personal expense reimbursement or were paid back to DCGP.</p> <p>Mileage related to DCGP business was reimbursed. Reimbursement requests included travel to Dover for legislative hearings. Staff of Legislative Hall was unable to provide minutes or agendas for the dates of travel; hence, AOA could not determine if gambling issues were discussed on the dates in question.</p>	Unsubstantiated
Contract funds were used to pay personal expenses.	AOA reviewed the contract terms for DSAMH. AOA tested expenditures in correlation with the contract. The expenditures selected for testing were for allowable transactions under the contract.	Unsubstantiated

---

# FINDING AND RECOMMENDATION

---

## **Finding**

AOA reviewed disbursements totaling \$224,872.48 for FY06 and FY07. Disbursements included personal expense reimbursements, credit card purchases, and a sample of other disbursements. Per review of the disbursements, AOA found the following:

- Purchases totaling \$9,814.53 were approved by the purchaser. The purchases appeared reasonable.
- Purchases totaling \$165 lacked authorization. The purchase appeared reasonable.
- Purchases totaling \$2,729.47 lacked sufficient support, such as an itemized receipt or invoice. AOA was unable to determine the reasonableness of these purchases. Some of the purchases were for meals. Due to lack of receipts, AOA could not determine the propriety of food and beverage purchases.
- Two transactions totaling \$23.36 were purchased using the company credit card; however, an employee also included the expense on a personal expense reimbursement request. Upon notification by AOA, the DCGP requested and received reimbursement from the employee.
- One purchase was overpaid by \$100.

Good business practices require that invoices, packing slips, contracts, receipts, etc., properly support transactions. Allowing the disbursement of funds without proper supporting documentation increases the risk of misappropriation of assets.

## **Recommendation**

The DCGP should:

- Segregate duties whereas an individual separate from the purchasing function reviews and approves the purchase.
- Require proper authorization prior to disbursing funds.
- Maintain support for all disbursements. Support for meals and travel should include a list of attendees and itemized receipts.
- Mileage reimbursement requests should include actual mileage logs and include a description of the purpose of the travel.

## **Auditee Response**

We were happy to see that all allegations made in the complaint were found to be unsubstantiated. At the same time, we have used the opportunity presented by the audit to improve our internal financial policies and procedures, in the ways addressed in our response to the recommendations below.

*The DCGP should:*

- *Segregate duties whereas an individual separate from the purchasing function reviews and approves the purchase.*



---

# FINDING AND RECOMMENDATION

---

We have adjusted our policy to include the recommendation. The only two people authorized to approve expenditures are the executive director and the deputy director. In most cases, these authorizations are requested by other staff members, so the recommendation is not an issue. However, in cases where either the executive or the deputy director is requesting the purchase, the new policy requires authorization by the one not making the request. It should be added that, given these two people are also authorized to sign checks on the agency's behalf, they are bonded to protect the agency against malfeasance.

- *Require proper authorization prior to disbursing funds.*

As is apparent from the findings, cases in which proper authorization was not present were isolated. We were happy to see, in addition, that the expenses in question were found to be proper and allowable. We have adjusted our procedures to ensure that such authorizations are filed along with disbursements by adding an additional layer of review by the business manager prior to payment.

- *Maintain support for all disbursements. Support for meals and travel should include a list of attendees and itemized receipts.*

Again, expenses missing supporting documentation were in a very small minority, since it is already well-established agency policy to include all documentation with payment records. We have revised our tracking system for travel-related expenses extensively by implementing a crosscheck system. Each trip is to be entered into a separate logbook, maintained by the office manager, and all related expenses are to be listed by trip, individual, and date. The logbook is kept in a separate file. All supporting documentation is to be duplicated and kept in chronological order with the logbook.

Although meals, apart from the out-of-state per diem reimbursement rate, are rarely reimbursed by the agency, it does happen occasionally. We have reviewed our existing policy with staff, emphasizing the importance of written preauthorization of any such expenses and a not-to-exceed amount, and the necessity of including all attendees as well as itemized receipts. We have further explained that if such itemized receipts are not submitted, the agency will not reimburse for the expenditures in question.

- *Mileage reimbursement requests should include actual mileage logs and a description of the purpose of the travel.*

We have expanded our mileage reimbursement request policy to include the recommendation. Along with mileage logs, all staff members are to include, to the extent possible, documentation supporting the purpose of the trip. Where written documentation is unavailable, staff members are to submit a written narrative of the purpose of the trip. These expenses must be reviewed and signed by both the employee and the employee's supervisor prior to payment authorization.

---

## FINDING AND RECOMMENDATION

---

We hope you will find these responses satisfactory. We have approached this financial review as an opportunity to improve the way in which we do business, thereby benefiting the agency as well as reinforcing the public's confidence that we are carrying out our mission with integrity.

---

# DISTRIBUTION OF REPORT

---

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

Other

Mr. Clarke V. Jester, President, Board of Directors, Delaware Council on Gambling Problems  
Ms. Elizabeth Pertzoff, Executive Director, Delaware Council on Gambling Problems